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## THE ECONOMICS OF INTRINSIC VALUE

—A note on the value theory of J. Ruskin and A. Sen—

*By* Jun IKEGAMI\*

### I Introduction

—Background of the Intrinsic Value Theory—

The purpose of this paper is to take a theory of intrinsic value in economics and to investigate the process of production, circulation and consumption of intrinsic values in the society. As it will be discussed in detail later, we can recognize the intrinsic value by J. Ruskin in 1860' and the stock of "knowhow in human activities about production and consumption" which human being came to recognize in the history. Thus, it is a kind of intellectual property. Moreover, the intrinsic value is not proper for thinking by the genius. It communicates with the number of people who are diverse and individual. It is preserved, developed and succeeded from generation to generation as a common stock in their working and living. The author intends to establish a new theory of economics on the basis of intrinsic value which is to replace the conventional concepts of prices and values in the system. The idea is based upon the following.

In the traditional study of economics, it is usual to set up a short run as well as a pair of preliminary assumptions that a) the amount of resources available for a society is limited, and b) the market exists as a measure of substitutability of those limited resources. To find an optimal distribution of resources by means of free competition

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under these assumptions has always been thought to be the fundamental purpose of economics.<sup>1)</sup>

Yet, the recent development of information technology and theories regarding economic aspects of information and knowledge indicates a possibility that the conventional pattern of thinking in economics now faces a basic challenge from new situations and theory.

Firstly, in the domain of reality, various ideas, scientific and cultural information, management knowhow and other products of intellectual activity, having a "intrinsic value of their own", are now recognized as intellectual property, and these are constantly joining as commodity in the market traditionally made up by consumable objects and capital goods. They are widely circulating in today's market.

Such "knowhow" is a kind of intellectual asset created by human being. They have been carried forward from generation to generation and accumulated in the memory or experience of man. In his "Evolutionary Economics" published in 1981, K.E. Boulding pointed out that if we think in terms of a very long time frame such as the historical process of evolution of a society, it is necessary to consider knowhow, materials and energy as the basic elements of production, rather than capital, labour and land as it has long been held by economists.<sup>2)</sup>

The intellectual asset is a kind of information. At the start, the economics of information tried to study characteristics of information as commodity applying the same methodology used for ordinary goods, but it became more and more apparent, as the study continued, that there is a great difference between information and other goods in general. Especially cumbersome was the uniqueness of information as a merchandise having no limitation or substitutability which are common to all other commodities conceived by the traditional economics.

For instance, the National Life Bureau of Japanese Economic Planning Agency conducted in 1983 a study titled "Information Society and Living-hood" (edited by the Ministry of Finance). In this study, information as a commodity is characterized by four features:

- (1) Undepletability: Value of information (utility or effectiveness), unlike other commodity, does not decrease through usage.
- (2) Non-assignability: information does not disappear even if it is transferred to other person. It remains as a stock of knowledge.
- (3) Cumulative Effect: Useful information increases its value through accumulation (Matai Effect)
- (4) Credibility Value: Usually, a buyer of goods or service is able to evaluate what

1) "Economics is a study to determine how to select rare production resources that have substitute uses in order to produce productive wealth and to distribute it among different groups". P.A. Samuelson and W.D. Nordhaus, *Economics*, 13th Ed., 1989, p. 12.

2) K.E. Boulding, *Evolutionary Economics*, 1981, chap. 1 (Translation in Japanese by Takenori Inoki, Kazuhiko Mochizuki and Ryudai Kamiyama, "Shakai Shinkano Keizaigaku", Chapter 1, HJB, ed., 1989).

he is going to buy, which makes the assumption of "completeness of information" valid. In contrast, it is often difficult for a buyer to determine the value of information he proposes to acquire, because it is dependent on the content of information offered to him. For this reason, a piece of information is usually valued on the basis of credibility of the owner. Because of the incompleteness of information, transaction of knowledge requires first of all judgement as to standing and credibility of owner of the knowledge, rather than evaluation of the knowledge itself.<sup>3)</sup>

Of these four characteristics, the undepletable, non-assignability and cumulative effect show that information as a type of resource cannot be 'consumed' by use, that its utility is maintained regardless of change of ownership, and that the utility increases by accumulation. Because it does not only disappear but increases value through transfer and accumulation, information represents an unlimited utility to the owner. Thus contradicts with a basic premise of conventional theory which says that utility of a resource is limited for the owner.

As to the value of credibility, it shows that utility value of a piece of information depends upon social credibility of the owner. The social credibility arises from the owner's capability to transmit useful information and to coordinate transfer. It presupposes that the owner has some kind of competence to create value. Such a competence cannot exist without his ability to succeed to useful information derived in the past and to utilize it in his own time. For this reason, and unlike ordinary commodities, credible information is hardly substitutable. Moreover, we may say that on a longer term, it is absolutely impossible to find any substitute for such information which has been carried over for a considerable period of time, which are undepletable, which becomes more valuable through accumulation, and which is combined with the name of creator to become an ongoing value by means of its "personal credit".<sup>4)</sup>

In this paper, we shall call "information having intrinsic value" any information that has unlimited utility to the owner and thus cannot be substituted by other information, as distinguished from all other information. Examples of such information having intrinsic value of their own are those commonly referred to as "classics", "invention", "discovery", "scientific knowledge", "knowhow", as well as literary works, pictures, sculptures, porcelain, architecture, music, drama, operas, movies, poetry and novels, both as their process of creation and as resulting form. Inasmuch as the result of mental effort of the creator, such a intrinsic value is a product of personal,

3) National Life Bureau of Economic Planning Agency, *Johoka Shakai to Kokumin Seikatsu-Gijutsuteki Sokumen o Chushintoshite*, Printing Bureau of the Ministry of Finance, 1983, p. 3.

4) These features are certainly of importance for short-term transactions. However, on a longer term, utility of information increases or decreases constantly, and it will be a mistake to think that accumulated information continues to be valuable and useful indefinitely. I once called this "fluctuation of value in use of information" (viz Ikegami, *Johoka Shakaino Seiji Keizaigaku*, Showado, Ed., first printing in 1985, pp. 45-46). Utility value of information keeps fluctuating over time, and only those which acquire proper value remain valuable and are succeeded from generation to generation.

intrinsic and spontaneous work of mind. Yet, and at the same time, the information is based on common language, experience and perception, making it acceptable and comprehensible to other people at large. Because of these features, information having intrinsic value is becoming more and more important in the economic activity of our time. We must try there to find out where the intrinsic value is to be situated in the economics, what is meant by absence of limitation and substitutability, and what effect intrinsic value has on economic development. These are the key issues the author intends to discuss in this paper.

## II Formation of Intrinsic Value and Common Stock

Knowhow, as information having intrinsic value to become an intellectual asset of people, which was created by individual talent but yet characterized by certain universality, constitutes one of basic elements in the history of human activity. Knowhow is memorized, succeeded, accumulated and utilized from generation to generation.

The knowhow is used to derive energy from the nature, and to exploit natural resources. We call this process production of material wealth. Output of the production is consumed in the course of daily life, or used for production or reproduction of life. The process of production and consumption does not take place in an isolated time and space such as on the island of Robinson Crusoe. On the contrary, knowhow is communicated, enriched and acquired by the work of professionals and teachers through social division of activity and regional education in conjunction with production or consumption. Intrinsic values in the form of knowhow is indispensable and unsubstitutable information for the majority of producers as well as consumers in order to generate material wealth and to improve standard of living.<sup>5)</sup>

A. Smith was the first economist who took up the matter of production and succession of intrinsic value by men. He wrote vividly how division of work and private ownership, making up the bases of market economy, come to produce intellectual workers and their work on one part, while individual talents mobilized as the result of division of work serve to support people's life through exchange of merchandises.

With regard to the development of talents capable of transferring intellectual asset through division of work, Smith says: "The difference in natural talent in different man, is in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour."<sup>6)</sup>

5) The concept of learning was made one of the fundamental categories of social science by N. Wiener, Ref. *The Human Use of Human Beings, Cybernetics and Society*, 1950~1965, Avon Books, 1967. Japanese translation by Y. Shizume, *Ningen Kikairon*, 2nd edition, Misuzu Shobo, 1979.

6) A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1776, Edited by E. Cannan, 1950, Chap. 2. Japanese translation of H. Ouchi and S. Matsukawa, *Shokokuminno Tomi*, Vol. 1 Chap. 2, Iwanami Shoten, 1st edition 1959.

He often took up the example of a philosopher and a street porter to explain that the former's genius results from his profession. Regardless of whether his theory is correct or not, it is a remarkable statement in that he thought economic order has a positive implication in the development and succession of intrinsic value.

Smith goes on to say that a society practising division of labour and exchange of goods not only develop talents but tends to create internal relationships making better use of such talents. He calls this relationship very aptly "common stock".<sup>7)</sup>

As an example, Smith states: "these animals are possessed of talents they cannot, as it were, bring them into the common stock and exchange their productions, and therefore their different talents are of no use to them. It is quite otherwise among mankind; they can exchange their several productions according to their quantity or quality".<sup>8)</sup>

"As it is this disposition which forms the difference of talents, so remarkable among men of different professions, so it is this same disposition which renders that difference useful...(unlike dogs), Among men, on the contrary, the most dissimilar geniuses are of use to one another; the different produce of their respective talents by the general disposition to truck, barter, and exchange, being brought, as it were, into a exchange and trade, so that everyone is able to acquire any part of common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for".<sup>9)</sup>

Here, Smith starts from an assumption that human disposition for exchange of goods creates the system of division of labour and exchange, that is to say, a commercial society (market economy). If such a society has institutions and premises (we may call them "infrastructures", such as statutory laws and the like) which make fair and equitable exchange possible, then such a society, Smith assessed can not only develop individual talents by means of division of labour, but a situation where every member of the society can benefit from effective use of different talents. According to Smith, it is this ability to utilize the difference between individual talents as a common stock that characterizes human society. Other species may involve differences among themselves such as mastiffs, greyhounds, spaniels and so on in the case of dog, but they lack the disposition to exchange, and for this reason they are unable to take advantage of the difference mutually. If a society does not have any system of education or training, division of labour in such a society will tend to simplify work and to decrease capability of members to make a judgement, with a result that difference among individual talents cannot develop, and the chance of utilizing the difference mutually will be lost.

In our contemporary society, it is usually difficult to assume that a producer, who

7) The author once re-defined the word as infrastructure, Ikegami, *Ningen Hattatsu Shikan (The History of Human Evolution)*, Aoki Shoten, 1986, Chap. II.

8) A. Smith, *Lectures on Jurisprudence*, 1723, edited by R. Meed, D.D. Raphael and P.G. Stein, 1978, p. 493.

9) A. Smith, *An Inquiry*, *op. cit.*, Chap. 2.

is a consumer as a buyer of the produce of the another producer, consumer sells his goods directly to a consumer who is a producer as a seller of his produce when the market and the division of labour worked at Smith's framework. Today, an entrepreneur typically organize producers into a group to make goods which are then offered in a market for sale to consumers, for example. Because of this structure, some workers can find opportunities to develop their talents, while others may find their skill deteriorating under certain circumstances. In many cases leaders and organizers can develop their talents, but those who have to repeat simple and partial operations often find it difficult to give good chances for their talents to develop. Thus, the goods produced by such a system may be attractive to consumers, but we cannot say that the market economy ensures development of individual talents and mutual relationships which make best use of them, unless there is an adequate system of labour within each enterprise.

Since 1776, when Adam Smith published his historical monument, much progress has been made in factory system. The Factory Act was introduced in the middle of 19c with a view to reduce working time and to promote obligatory education. In the early part of this century, Taylor System and Ford System were much used, while efforts are now being made in order to "humanize" the labour.

As the author shall state later on, when factories of today will evolve into two parallel operations of which one consists of producing intrinsic values such as those conceived by Ruskin or Morris, and the other copying the output of such intrinsic values to mass-produce marketable goods, and when the operations creating intrinsic values are undertaken by artisan-type of work having its own culture while the mass-production is accomplished by means of automation supported by information technology or biotechnology, then we shall have an entirely new type of system which, according to A. Smith, shares "the common social assets comprised by diverse talents". Intrinsic value can have universality only in such a system, to be maintained, adopted and developed further by the talent of individual members of the society.

### **III Production or Copying of Intrinsic Value**

We shall start by assuming that instead of understanding intrinsic value abstractly as a mere piece of information, it is something that arises as a result of social division of labour and individual talents involved in such an economic system. Then we have a problem of how to evaluate the labour, which comprises traditional skills and cultural heritage, in the framework of capitalistic economy. This problem was taken up for the first time by John Ruskin who was an influential scholar in the second half of 19c in the domain of cultural economics. In fact, he was the originator of the new discipline.

Ruskin considered that the industrial production system in the latter 19th century, made possible by the massive introduction of new machinery, was characterized by



the loss of humanity in the factory system, and that it forced people to do monotonous and harsh work without giving them any opportunity for improvement or development of their capability. Yet, he did not say that machinery should be abandoned in order to restore the medieval guild system. Ruskin argued that rational boundaries must be set for the use of modern machinery, and that ways must be found to make labour a means of training for higher degree of human development and products offered should be such that they would contribute to be well people's life by arts and culture embodied in that products through design, materials and functions.<sup>10)</sup>

Therefore, if mass-production by the use of machinery is to be undertaken for the sake of profit, Ruskin said, restoration and maintaining of traditional handicrafts should be made possible by non-profit making cooperatives and public entities operating on contributions. Promotion of handicraft weaving in the Isle of Man was a well-known example of Ruskin's efforts to reform the industry. He developed group of customers who were capable of appreciating values of the traditional handicraft products and who were willing to acquire them. He utilized cooperative organizations to bring back traditional industry employing skilled workers and using water mills. Ruskin did not attempt to resuscitate middle age society, but to humanize industry by means of developing human skills, organization and market for production and sale of culturally superior products.<sup>11)</sup>

To Ruskin, it was of utmost importance to protect traditional handicrafts from the emergence of mechanized industry firstly because cultural knowhow embodied in traditional handicraft must be preserved, and secondly, because the traditional industry was considered an excellent way to educate workers and consumers who would understand the value of humanization of labour as well as tasteful products resulting from it.<sup>12)</sup>

The case of Ruskin is interesting in that we can learn much from it if we want to create a new system capable of producing intrinsic values in today's economic and industrial environment. The rapid development of information technology is giving rise to new means of copying and reproducing intrinsic values. For this reason, capability to create and transmit intrinsic values is becoming one of the most important factor for today's business because it gives companies a definite advantage to compete. A large number of scientists, engineers and technicians are now working side by side with artists and design specialists for research and product development. Yet, this is a relatively new trend in Japan. It is only since 1970's that corporations have started to show positive interest in intrinsic values as represented by traditional arts, skills, cultural objects, landscape, environment and "indispensable" talents of individuals.

If we accept individuality and diversity as attributes of goods then it can be said

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10) J. Ruskin, *Fors Clavigera*, Vol. 1~12, 1871~1884, Ryuzo Mikimoto, *Ruskin no Yutopia-Fors Clavigera narabini Karenō risoron no kenkyū*, Kondo Shoten, 1927, pp. 393~394.

11) *Ibid.*, p.385.

12) *Ibid.*, p. 384.

that today's economics must face a broader range of issues. In fact, there are already a number of problems which cannot be explained by conventional mass production system. Albin Toffler pointed out that new information and technology systems are changing mass production concept into an electric structure in which volume production system and small lot production system are concurrently used, and there are many plants operating as if they are working on customers' direct order and under their direct control.<sup>13)</sup> In such cases, contracts between producers and consumers in the market require a new basis of understanding, but the conventional theory of economics is still unable to accomplish the task. As an example, some of Japanese distilleries are now employing skilled traditional distillers in order to acquire their professional knowhow and to train their successors on one part, while these companies are aggressively utilizing new biotechnology to enhance such traditional knowhow and to apply it for mass production. Another example is the emergency of several communities who are reconstructing streets on the traditional style and inviting handicraft artisans to work there. These traditional crafts are linked to consumers by means of dedicated organizations with supportive functions of marketing, tourism, transportation and communication. It is a new form of cultural development. On the other hand, progress of automation in office and plant as well as advance of communication technology are attracting more people and other resources to software and service industry. Corporations and cooperatives can utilize that new facilities to maintain and to reproduce a large variety of intrinsic values and the establish a direct linkage to their production process. It is quite possible that such system will become one of the basic pattern of industry in not too distant future. We need to clarify the relationship between intrinsic value and other utility values in order to have a better understanding of today's production system.

With regard to Ruskin's contribution to the theory of intrinsic value, he focused his attention to traditional skills and workmanship which constituted the heritage of medieval guilds. If these skills and craftsmanship are to be incorporated into production of goods in the large sense, then the process of intrinsic values forming a common stock of the society present us with a new issue concerning characteristics of goods in general endowed with certain intrinsic values. As an example, an industrial product which utilizes some artistic design is a "good having its own intrinsic value". In today's economics, we call "useful quality" any characteristic in a product which offers personal satisfaction to certain type of person, and we try to understand the process in which such proper feature is transformed into a useful function.<sup>14)</sup> Ruskin was the pioneer in the sense that he studied for the first time the relationship between man's life and utility of goods.

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13) A. Toffler, *The Third Wave*, 1980, Chap. 15, Japanese translation by Takao Tokuoka, *Daisan no Nami*, Chuo Koronsha, 1982, Chap. 15.

14) A. Sen, *Commodities and Capabilities*, 1985, Chap 2, Japanese translation by Kōtarō Suzumura, *Fukushi no Keizaigaku-Zai to Senzai Noryoku*, Iwanami Shoten, 1988, Chap. 2.

#### IV Realization of Intrinsic Value

##### —Consumer's Ability to Accept or Enjoy Intrinsic Values and its Relationship to Infrastructure—

In the economics based on the premises of limitation in resource availability as well as on substitutability in preference and distribution, a consumer who purchases a good in a market is considered, ipso facto, to satisfy his want to own it, as we see in the theory of utility advocated by the school of apparent choice. However, for those who propose to consider viability of economics which is based on the principle of intrinsic value and on its characteristics of absence of limitation in usage and substitutability, the first question to be clarified is how intrinsic value is preserved in the process of consumption and incorporated into individual talents.

Utility of intrinsic value can only be demonstrated if it is accepted by consumers on account of useful quality of the good in which it is embodied. Therefore, economics will have to study consumer's capability to accept or enjoy intrinsic values and useful quality of goods, along with the process of development of that capability. This might imply a major shift of paradigm of economics, and cast a new light upon those researchers who have long been forgotten by the dominant schools of economics.

Ruskin and Morris seem to be the only economists in the 19th century to have dealt with intrinsic value, although Marx made some references to it in his work.<sup>15)</sup> Among the economists of today, A. Sen is prominent on account of his research concerning features of goods and consumed ability to accept or enjoy them.

Ruskin and Sen both think that if a product is to be successful in a market because of its intrinsic value and useful quality, then there must exist consumers who are able to appreciate and accept such values and features. According to Ruskin and Sen, a consumer buying such a product without the ability to recognize and enjoy its intrinsic values or features is unable to satisfy his want or to take advantage of such features by converting them into functions so as to enhance quality of his life and develop his mental or physical capability. Intrinsic value and useful quality of goods cannot be realized unless there are people who can recognize and enjoy them by acquiring the goods in question.

To explain this, Ruskin says as follows: "But in order that (this) value of their may become effectual, a certain state is necessary in the recipient of it. The digestion, breathing and perceiving functions must be perfect in the human creature before the

15) "The real economy=saving is that of working time,... the economy is achieved by development of production capability. Therefore, saving does not mean ban on enjoyment. It means that capability for production must be developed along with the capability for enjoyment, because the first is a means to achieve the second". K. Marx, *Grundrisse der Kritik der politischen Oekonomie*, 1857~1858, Dietz Verlag, 1953, S. 599. Japanese translation by Kojiro Takamizu, *Keizaigaku Hihan Yoko*, III, Otsuki Shoten, p. 660. Also see Kentaro Hayashi, "Gijutsu no Keizaigaku" (Economics of Technology) in *Gendai Keizaigaku*, I, edited by Y. Shima, 1978, p. 33.

food, air or a flowers can become of their full value to it. The production of effectual value, therefore always involves two needs: first, the production of a thing essentially usefull; then the production of the capacity to use it. Where the intrinsic value and acceptant capacity come together there is effectual value or wealth; where there is either no intrinsic value or no acceptant capacity, there is no effectual value; that is to say, no wealth. A horse is no wealth to use if we cannot ride, nor a picture if we cannot see, nor can any noble thing be wealth, except to a noble person".<sup>16)</sup>

Here, Ruskin makes no distinction between intrinsic value and quality of the good that embodies it, but if his term "intrinsic value" is understood to mean "useful quality showing intrinsic value", then we can say that essentially, what Ruskin has in mind is acceptant capacity enjoyment of consumers, just in the same context Sen states by saying:

"According to the approach first developed by Gorman and Lancaster, an article of trade is nothing else but a combination of characteristics found in the article. We mean by characteristics various properties in the product which makes it desirable for the owner.....by acquiring a foodstuff, man can keep off hunger, take in nourishment, satisfy his taste, and enliven social gatherings for instance, and these are characteristics of the foodstuff he is going to buy. However, these characteristics cannot teach us how they are to be utilized actually. For example, if a person has some parasitic ailment which makes it difficult for him to get adequate nutrition from food, then he (or she) might suffer from under-nourishment even if he (or she) is eating well enough for ordinary persons to survive. Thus, in order for us to make any judgement on other's welfare, we cannot confine our analysis post to characteristics of goods owned by such a person. Instead, we must take into consideration of "functionings" of such a person".<sup>17)</sup>

As it is, Ruskin's concept of intrinsic value seems more or less to correspond to Sen's concept of goods' characteristics, because both of them make clear distinction between the ownership of intrinsic values or goods' characteristics and the owner's ability to accept or enjoy the benefit of such characteristics, or values, with a view to enhance his or her own functionings.

According to such a distinction, enhancement of the ability to enjoy goods' characteristics will not only mean that the owner can make the most of the characteristics, but also that the producers will strive to improve their capability to supply products of higher quality achieved by a set of intrinsic values and characteristics. In this respect, Ruskin goes on to say as follows: "The effectual value of a given quantity of any commodity existing in the world at any moment is therefore a mathematical function of the capacity existing in the human race to enjoy it. Let its intrinsic value be represented by  $x$ , and the recipient capacity by  $y$ ; its effectual value is  $xy$ , in which the sum varies as either coefficient varies, is increased by either's increase, and cancelled

16) J. Ruskin, *Munera Pulveris, Six Essays on the Elements of Political Economy, Preface*, 1871, C. 14, Japanese translation by M. Kimura, *Munera Pulveris*, Seki Shoin, 1958, Section 14,

17) *Ibid.*

by either's absence".<sup>18)</sup>

By applying our definition of intrinsic value to the preceding sentence, we may restate it in the following terms:

"Production of goods' characteristics by the use of knowhow having intrinsic value of its own, and by utilizing natural resources, environment and energy, becomes possible only if man's ability is sufficiently well-developed to enjoy these characteristics constituted by the intrinsic value. Development of such ability is the sole condition for producers to be able to develop their capability to evaluate and to create the intrinsic values and to realize specific characteristics of goods on the basis of such intrinsic values".

"Specific characteristics" realized "on the basis of such intrinsic values" constitute what Sen calls "goods' characteristics". Development of man's ability to enjoy these characteristics allows him to group the goods' intrinsic values by means of his perception and understanding of these characteristics. This in turn makes it possible for him to achieve development of his own self. In this sense, what Ruskin calls "effective value" would mean not only goods which have success in the market, but also the goods' characteristics themselves, which are to be utilized thanks to the ability of purchasers to enjoy such characteristics along with the goods which embody the intrinsic values.

When an commodity embodying intrinsic value is available in the market and the product is made effective thanks to the consumer's ability to enjoy it, then Ruskin considers that the product "contributes to the consumer's life", which means that it contributes not only as a mere nutrition or rest, but as something which gives hope, sense of aesthetic satisfaction and love to the mankind.

Ruskin says that "we enjoy our life by admiring beautiful things, by having hope, and by love".<sup>19)</sup> This shows that for Ruskin, life needs to be enriched, and that man's ability to appreciate works of art and culture is of critical importance to him if he wants to satisfy his want. If a intrinsic value embodied in a product as specific characteristics does reflect some degree of creativity in artistic or cultural sense, and if the product actually enriches the life of a person who acquires and consumes it by the fact that it given him hope, love and aesthetic satisfaction, then we may say that the man has derived satisfaction from the functioning of market economy. In this instance, he is no longer a mere homo-economicus who does nothing more than comparing incremental utility and cost. He emerges as a human being who looks forward to identify himself.

In contemporary economics, some of scholars such as Sen consider it premature to think that a person buying a product in market is able to satisfy his want merely by doing so, and for this reason, it is necessary to know if the consumer has been able to

18) *Ibid.*

19) J. Ruskin, *Unto this Last, Four Essays on the First Principles of Political Economy*, 1862, Everyman's Library, 1905, Japanese translation from the complete works, S. Goto, *Ruskin, Morris*, Chuo Koronsha, 1979, p. 144.

derive full sense of satisfaction from the product.<sup>20)</sup> According to this line of thinking, it then becomes necessary for us to study personal wants in terms of diverse aspects of human behaviours and motivation influencing consumer's choice. We will also have to consider influence of freedom over wants as well as diversity and hierarchy of such wants. For example, all of us aspire for freedom, but the nature of such aspiration may not be quite the same for someone who desperately needs a piece of bread to survive and for another who wants good slices of tasty bread for a very special dinner with a girl friend. The man suffering from hunger can have hope just by obtaining bread, and the intrinsic value is no more than satisfaction of the basic minimum need, while in the latter case, the man seeks beauty, emotional satisfaction and identification. For this reason, Sen thinks there are two types of freedom, negative and positive. He calls negative freedom the call for minimum needs in sustaining life and survival, and positive freedom if it concerns identification.<sup>21)</sup>

In such a context, then, we need to know what are the social conditions necessary for realization of intrinsic value. In other words, we have to ask ourselves: "what are the social conditions and rules which are necessary for the development of consumer's capability to accept or enjoy intrinsic value?" The question is how far today's capitalism and market economy have succeeded to provide these prerequisite conditions, and if some of the conditions are still not met yet, what should be done in order to realize them.

From a certain point of view, intrinsic values are unique and nothing can substitute them. The uniqueness arises from intrinsic character which we find for instance in a natural scenery or in highly talented individuals. They have strong character of their own, and moreover, their character has at the same time certain features which give them a sort of universality, in that people are impressed and moved by it. A superb landscape attracts many people, and a gifted person is generally admired because his ideas and work represent values wherever they come into play. Individual character and universality may appear to contradict with each other at first sight, but they are both necessary attributes of intrinsic value.

So far, we considered the relationship between the ability of producers to create intrinsic value and that of consumers to accept or enjoy the intrinsic value. Let us now try to see how this relationship functions in the framework of social division of labour. A man is capable of creating intrinsic value, while at the same time he is able to accept or enjoy intrinsic value created by others. These individuals produce goods embodied intrinsic values which are exchanged in the market so that each can accept or enjoy the intrinsic values of product acquired by him. For example, A is a baker who makes most delicious bread in which the taste, fragrance of appearance consti-

20) A. Sen, *op. cit.*, Chap. 1.

21) A. Sen, "Individual Freedom as a Social Commitment", *The New York Review*, June 14, 1990, p. 49. Japanese translation by T. Kawamoto, "Shakaiteki Komittomento to shite no Kojin no Jiyu" in *Misuzu*, No. 358, p. 70 et seq.

tute its specific characteristics. He supplies the bread to the market in order to satisfy a customer B who is able to enjoy the intrinsic value of bread made by A. At the same time, A is aware of ball point pen of superior quality which is supplied by B, so he buys the pen in the market to enjoy its intrinsic value. What makes it possible for A and B to realize the exchange? This requires a common social basis. First, there must be a set of rules such as statutory law governing transaction so that A and B can complete the deal without fear of fraud or other problem. This is what we call the "constitutional infrastructure". Another important condition will be that there exists a good infrastructure of information so that people have free and unobstructed access to published data concerning price and quality of products on the market. Well-developed social infrastructure in terms of education and welfare will also be of critical importance, because it alone can provide a common base for citizens to derive enjoyment from what they buy. Indeed, there must be a number of other conditions which must be met. These would include such as financial system, transportation system, energy supply and other economic infrastructures, land, environment, language and cultural bases, all of which should have important functions for realization of intrinsic values in the society.<sup>22)</sup>

## V Producer and Consumer in a Market Economy

For a long time already, today's political economy has been based on the theory of prices and distribution of resources under perfect competition, in spite of the fact that many prominent economists, including F.A. Hayek and J.M. Keynes, raised doubts on the validity of the theory.<sup>23)</sup> In particular, Hayek is of opinion that the theory of perfect competition does not pay sufficient attention to diversity of consumer needs and that of producer's ability to respond to them, and for that reason, it fails to recognize evolution of concept on the part of producers and consumers as the result of changes in the market as well as their adaptability to such changes as an essential aspect of competition. If such diversity and individual character are to be considered in the framework of economics of market, then it becomes necessary for us to pay more attention to availability of diverse products matched to consumers' ability of enjoyment instead of of uniformity and substitutability of products. Yet, there is no theory in existence today capable of presenting a consisting answer to the relationships between diversity, character and substitutability.

Ruskin, who started as scholar of cultural matters prior to study economics, advocated his theory of intrinsic value because he saw that human beings always aspire to better standard of living and higher degree of personal satisfaction. In that context,

22) Ikegami, *Zaiseigaku-Gendai Zaisei Shisutemu no Sogoteki Kaimei (Public Finance—A Comprehensive Understanding of Modern Financial System)*, Iwanami Shoten, 1990, Chap. 1, p. 54 et seq.

23) F.A. Hayek, "The Meaning of Competition", 1946, in F.A. Hayek, *Individualism and Economic Order*, 1964, J.M. Keynes, *The End of Laissez-Faire*, 1926.

Ruskin considered the relationship between consumers' wants and culture. His approach was to study the rapport between consumer's ability of acceptance or enjoyment and producer's creativity as well as work capability on the part of producers responding to such consumers. For this reason, his theory is unique in that it can explain market economy and competition in the process of interaction between producer's creativity and consumers' acceptant capacity. In the modern economics, there are small number of scholars such as F. Hayek and Sen who have considered this issue. The author believes that the theory of intrinsic value serves as the solid basis of development of their thoughts. Hayek, for instance, said as follows concerning his doubt over the assumption of perfect competition and disclosure of information among participants to market economy:

"Our wants and knowledge both tend to change continuously, while human skills and capability have no limitation as to their diversity. For this reason, it is impossible to assume that there exist a large number of people who are able to supply uniform or homogenous products and services". Due to the diversity, the process of supply adapting to evolution of demand has to be relatively slow. Also, inasmuch as we cannot assume existence of perfect information and perfect competition, learning and communication of information alone can function as a catalyst between the supply backed up by diverse production capability and the consumption based on diverse needs and wants. Thus, Hayek shows that the process itself represents the fundamental reality of market economy.<sup>24)</sup>

If we go a step further, those consumers who are motivated by the desire to improve their standard of living and derive more personal satisfaction and who expect their want to be met by the market will require producers to supply goods which can meet their demand, and the latter will have no alternative than to comply with the demand, by trying to improve quality of their product. Producers will be stimulated by consumers' wants and strive more to generate intrinsic value by enhancing their cultural and artistic competence. The presence of entrepreneurs and capitalists between producers and consumers will certainly influence nature of the interaction, but the interaction itself will continue to function as long as the infrastructure remains effective.

Unsubstitutability of intrinsic value needs to be adjusted continuously in response to the demand for substitutability arising from market. However, in view of the remarkable progress of information technology and its impact on production of intrinsic value, we can expect that both the sector represented by traditional cultural skills and creation of intrinsic value as well as the industrial sector undertaking mass production of products characterized by the intrinsic value will make such adjustment between themselves.

Intrinsic value maintained by individual characteristics of producers who have diverse capability will come to the market as characteristics of goods. As the number

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24) F.A. Hayek, *op. cit.*, Japanese translation by M. Tanaka and H. Tanaka, *Shijo, Chishiki, Jiyu-Jiyushugino Keizaishiso*, Minerva Shobo, Ed., 1986, Vol. 3, p. 95 et seq.



of consumers with ever higher and diversifying capability of acceptance continues to increase, their behaviour will result in a common social stock which in turn will be passed on to next generation as a cultural heritage.

In conclusion, the author would like to make a comparison between Ruskin's theory of intrinsic value and the author's theory of intrinsic value in order to see similarity and difference between them.

Ruskin says: "Intrinsic value is the absolute power of anything to support life. A sheaf of wheat of a given quality and weight has in it a measurable power of sustaining the substance of the body, a cubic foot of pure air a fixed power of sustaining its warmth; and a cluster of flowers of given beauty a fixed power of enlivening or animating the senses and heart. It does not in the least affect the intrinsic value of wheat, the air, or the flowers, that men refuse or despise them. Used or not, their own power is in them and that particular power is in nothing else".<sup>25)</sup>

Ruskin's definition of the intrinsic value is same as ours in that it embodies certain information which is unsubstitutable to us and contributes to improve quality of life. However, Ruskin's view that intrinsic value does exist in the nature or in goods themselves is quite different from our definition which considers intrinsic value as our intellectual stock.

According to Ruskin's definition, intrinsic value is an attribute or characteristics inherent in the nature or a matter, while our definition says that neither clean air nor beautiful flower are endowed with any intrinsic value of their own. We would say that people who have succeeded to intellectual stock and who recognize intrinsic value must discover love, beauty and hope in the nature, and for that reason, they recognize the clean air or flowers, having certain characteristics and features of their own, as the bearer of intrinsic values. What man calls intrinsic value in an object existing in the natural environment is actually a bearer of the intrinsic value preserved in the natural environment through intentional efforts of people who recognize that amenity results from accumulation of intellectual stock (including aesthetic, emotional and sensual satisfaction). For instance, the capability of a botanist to discover the prototype of wheat is a part of our scientific knowledge, and therefore it constitutes an intrinsic value. On the other hand, the knowhow to pressure the prototype plant and to utilize it for the purpose of improving species of wheat is a piece of information having an intrinsic value of its own. However, as to wheat itself, as an agricultural product, is a commodity produced on the basis of the intrinsic value, knowhow and land or natural energy such as sunlight. The nature itself, as a bearer of intrinsic value, along with goods derived from cultivation or production, all have certain characteri-

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25) J. Ruskin, *Munera Pulveris*, Chap. 1., C. 13. For the theory of regional and individual characteristics of goods, see K. Miyamoto, *Kankyo Keizaigaku (Environmental Economics)*, Iwanami Shoten, ed., 1990, and K. Tsurumi, "Naihatsuteki Hatten no Riron o Megutte" (on the theory of Endogenous Development), *Shakai-Keizai System Gakkai (Society of Social Economics)*, ed., in *Shakai-Keizai System*, No. 10, October 1991.

stics which embody the intrinsic value. These two are to be distinguished from each other as separate concepts.

If wheat becomes contaminated due to lack of agricultural knowhow, it harms life of consumer, and its utility value as a commodity is completely lost. Intrinsic value in Ruskin's sense is a concept which today's economists would call "specific characteristics of goods", implying that the commodity is made by a process utilizing intrinsic value which is embodied in the commodity by way of mass production.

Intrinsic value is conditioned by the characteristics of individuals and those of local community, but at the same time, it is endowed with some degree of universality. Moreover, it is the source of a power which supports life of human being. Embodied in goods and in the nature, it influences and stimulates functioning of our mind and body.

Ruskin was a precursor in that he was the first to recognize the importance of intrinsic value. However, his thoughts regarding the relationship between intrinsic value and specific characteristics of goods show occasional confusion, and this is largely due to the nature of manufacturing industry at that time. Machines were able to mass-produce cheap articles, but the products were rather coarse and poor in quality. Under these circumstances, it was natural for Ruskin to think that modern industry was incompatible with traditional handicraft arts. In the belief that the traditional skills as well as aesthetic quality of landscape and environment must be preserved as valuable asset, he advocated the concept of intrinsic value inherent in the nature and in those traditional handicrafts which produce articles for superior than those made by civilized machinery.

Today, advanced information technology makes it possible to produce in large quantity fine copies of works of art. Biotechnology is utilized to mass-produce clones of living organism, while sophisticated technologies are applied to protect natural environment. In this new situation, it would not be difficult for us to consider intrinsic value as a part of our intellectual stock, and this would not cast any doubt that Ruskin was indeed a precursor of unusual foresight.

Thus, according to the author's theory of economics, existence of intrinsic value is based upon the unlimited usefulness (potentiality) and unsubstitutability of man's intellectual stock. The process of economic development is understood as a mechanism in which the common stock is enriched and developed as the result of growth of personal as well as regional individuality, and this on the basis of intrinsic values passed on from generation to generation, and also by the system of their mutual utilization. Because of this, the theory requires a complete restructuring of conventional framework of economics and re-appraisal of existing categories based on new concepts. Detailed discussion of these processes will be made on another occasion, except that interestingly enough, the new theory amounts to a revival of the classic economic theory of Adam Smith on a set of new terms or conditions, as we have already seen in the case of common stock. As such, the economics of intrinsic value may rightly be called a neo-classical school of economics.

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